



Department of Justice

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FORMER PROJECT MANAGER PLEADS GUILTY TO BID RIGGING ON CENTRAL CALIFORNIA SCHOOL TELECOMMUNICATIONS CONTRACTS

First Charges Filed in Nationwide Antitrust Investigation Involving E-Rate Program

WASHINGTON, D.C. -- A former electrical contractor pleaded guilty today to participating in a bid-rigging scheme involving a federal program, E-Rate, that subsidizes telecommunications, Internet access, and internal connections at a central California elementary school district, the Department of Justice announced.

Duane Maynard of Arvada, Colorado, pleaded guilty today in U.S. District Court in Fresno, California, to bid rigging on an E-Rate project at the West Fresno Elementary School District. Maynard is the first individual charged by the Antitrust Division for crimes relating to the award of E-Rate contracts. Under a plea agreement, Maynard has agreed to assist the government in its ongoing investigation into bid rigging and fraud related to the E-Rate program.

The Schools and Libraries Universal Service Fund, a federally funded program known as E-Rate, was created by the Telecommunications Act of 1996. E-Rate is a program through which the Universal Services Administrative Company, a not-for-profit corporation, acting under oversight of the Federal Communications Commission, subsidizes the provision of telecommunications, Internet access, and internal communications to economically disadvantaged schools and libraries.

“The Antitrust Division will vigorously prosecute those who conspire to circumvent the competition requirements of federal programs,” said R. Hewitt Pate, Assistant Attorney General in charge of the Antitrust Division. “Bid-rigging schemes aimed at the E-Rate program rob funds for economically disadvantaged schools and libraries across the nation.”

According to court papers, Maynard admitted that beginning in February 1999, he, together with school district representatives, a consultant, and others representing potential competitors, conspired to ensure that Maynard's company would be the successful bidder for the general contract for the West Fresno Elementary School District E-Rate project. They also agreed that no other co-conspirator would submit a competing bid, that co-conspirator companies would serve as subcontractors on the project, and that any competing general bid would be stricken as nonresponsive. In agreeing to and carrying out the scheme, Maynard acted on behalf of his employer.

According to the plea agreement, Maynard also agreed that he had falsely denied recollection of events related to the West Fresno Elementary School District E-Rate project when testifying before a grand jury investigating the matter. In his plea agreement, Maynard agreed to the applicability of a Sentencing Guidelines provision which requires a higher sentence for defendants who obstruct investigations by giving willfully false testimony.

"The Division will seek stiffer sentences for bid riggers who aggravate their crime by falsely claiming not to recall material events," said James M. Griffin, Deputy Assistant Attorney General for the Antitrust Division's Criminal Enforcement Program.

The bid-rigging charge, a violation of Section 1 of the Sherman Act, 15 U.S.C. § 1, carries a maximum penalty of three years' imprisonment and a \$350,000 fine for an individual. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. In addition, the defendant could be ordered to pay restitution to any victim for the full amount of that victim's loss.

The charges against Maynard are the first to arise out of the Antitrust Division's ongoing investigation into anticompetitive conduct related to the E-Rate program. In Fresno, the

investigation is being conducted by the Antitrust Division's San Francisco Field Office, with the assistance of the Federal Bureau of Investigation.

Anyone with information concerning bid rigging, fraud, kickbacks, bribery or other crimes related to E-Rate contracting should contact the San Francisco Field Office of the Antitrust Division at (415) 436-6660 or the Fresno Division of the FBI at (559) 436-4474.

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